



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO  
607 North 8th Street  
BOISE, IDAHO 83702

MINUTES  
OF  
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m. February 22, 2005. The following members were present:

Jody B. Olson  
Dennis Johnson  
Pamela I. Ahrens  
Clifford T. Hayes  
J. Kirk Sullivan

Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Chief Investment Officer Robert Maynard, Financial Officer James Monroe and Management Assistant Joanne C. Ax were also in attendance. The electronic projection of materials and documents discussed in the meeting was handled by Betsy Griffith. Other persons attending portions of the meeting were:

Rod MacKinnon  
Bruce Reeder  
Drew Black  
Dennis Fitzpatrick  
Casey Maslonka  
Jim Shakelford  
Brent Nye  
Janet Becker-Wold  
Lucinda Smith  
Connie Eshelman  
Dona VanTrease

Mountain Pacific Investment Advisors  
Mountain Pacific Investment Advisors  
DB Fitzpatrick & Co.  
DB Fitzpatrick & Co.  
DB Fitzpatrick & Co.  
IEA  
Boise Schools  
Callan Associates  
Mellon  
Idaho Endowment Fund  
IPEA

MINUTES

Approval of the Minutes: By motion duly made by Trustee Johnson and seconded by Trustee Ahrens, the Board unanimously approved the minutes of the January 25, 2005 regular meeting of the Retirement Board as submitted.

## PORTFOLIO

DB/DC Review – Janet Becker-Wold of Callan reviewed the report she had previously provided to the Board. PERSI's use of global equity managers, emerging markets managers and TIPS have all contributed positively to out-performance relative to the fund's policy index. Portfolio activity during the period ending December 31, 2004 included completion of fixed income manager searches, the hiring of Western and Fidelity for core plus assignments, Bridgewater for expanded inflation protected securities mandate and discussions with Clearwater for modification of their mandate. She also reviewed the performance of the Choice Plan and provided detailed information on each of those funds. The Total Return Fund which mirrors the PERSI base plan investments is still the most popular choice by our members.

Chairman Olson thanked Trustee Sullivan for serving on the Investment Committee and taking time to attend those meetings.

Monthly Portfolio Update: Chief Investment Officer Robert Maynard reviewed the reports he had previously provided to the Board. Comments from that report and from his presentation included:

After a dismal start to the new calendar year, the markets have rebounded after a strong earning season, moderate oil prices, and a relatively successful Iraq election. As a result, PERSI is up 1.6% for the calendar year-to-date (2.7% better than the level at the last Board meeting).

In addition, PERSI's major additional tilts –towards TIPS, REITs, global equity managers and international emerging markets – have also all stabilized, continuing to add 2.3% to fund returns for the fiscal year-to-date.

All other portfolio actions have subtracted from returns collectively, dropping the additional total return to 1.7% for the fiscal year-to-date.

Bernstein Emerging continues to lead all managers in both absolute performance with 49.3% for the fiscal year-to-date, as well as relative performance (compared to benchmarks) with a 16.6% outperformance of its benchmarks.

"Quality" growth approaches, which would include in our portfolio Tukman, Mountain Pacific, Peregrine, Barings Equity, SGAM, Rowe Price ;and Cap Guardian, had had a rough few years and continue to struggle. Mr. Maynard is looking for this area of the capital markets to possibly provide a future positive opportunity.

The fixed income manager search has been completed with the hiring and funding of Fidelity. In addition, the private equity subcommittee approved a commitment of \$30 million to Bridgepoint Europe.

Mr. Maynard said in the next year or two he does not anticipate any more major changes. We have hired six new equity managers and three new bond managers, introduced a number of new strategies and re-invigorated our real estate program and are expanding our private equity to Europe. He will now integrate these changes into what we have been doing. The June manager conference will provide a time for all our managers to talk with each other and with us about their plans for the coming years. He told the Board that fixed income investors use more complicated strategies to add value and we are allowing them to use options and swaps. We are insisting that everything be valued daily and independently checked by Mellon.

Investment Manager Comments: Before a short break, the Chairman invited managers who were present to comment on the markets and the economy. Most expect interest rates to continue to gradually rise which will affect equity returns. The bond market is recognizing that the Federal Reserve Board is continuing rate increases and they are hesitant to buy into higher rates of interest now.

#### EXECUTIVE DIRECTOR

New Employer: By motion duly made by Trustee Johnson and seconded by Trustee Sullivan, the Board unanimously approved the re-entry of Outlet Bay Water and Sewer District as a new PERSI employer with a March 1, 2005 entry date. There are no entry costs for this employer to re-join PERSI.

Legislative Review: Copies of Mr. Winkle's weekly review of legislation affecting PERSI had been provided earlier to the Trustees.

SB 1108 which would permit a PERSI retiree to return to work full time without affecting their benefit under certain conditions was discussed.

HB 129 would add prosecuting attorneys and deputy prosecuting attorneys to the PERSI definition of Police Officer member. Trustee Johnson asked whether the bill states clearly that, if passed, this change would affect only those benefits earned after July 1, 2005. Mr. Winkle said it does not, but that during legislative committee discussion he clarified that a change in benefits is prospective only and the committee minutes will reflect his answer. PERSI will provide technical information to legislators as requested on these and other bills on retirement issues.

Status Update: Mr. Winkle introduced Patrice Perow, PERSI's new Public Information Officer. Ms. Perow brings 23 years of experience in communications, marketing, public and media relations to PERSI as well as considerable background in writing, graphics and production of written materials and Web sites.

The BPR Request for Proposals for technology is again open. Because all except one of the first bids were disqualified for technical reasons by Purchasing, there could be no competitive bidding process. A bidder's conference is scheduled for March 2 to answer bidder's questions with proposals due on March 22. Mr. Winkle has met with legislators, DFM and LBO to discuss the financial challenges this delay causes.

Mr. Winkle has met with representatives of the School Board, School Administrators and IEA and expects their recommendation on the School Sick Leave issue soon.

#### CHOICE PLAN:

Mellon Report – Lucinda Smith of Mellon told the Trustees that because of a death in his family, Mr. Kincaid was unable to attend the meeting. She reviewed Mellon's capabilities and what they offer to PERSI including the new "dashboard" reporting page. DC Plan Manager Diane Berg continued with discussion of the Choice plan. The ability to apply for a 401(k) loan is now available on-line at a rate 1% above prime. The plan assets increased 31% from 12/31/03 to 12/31/04 with a 32% increase in the average account balance. A total of 7,660 employees were participating in the plan on 12/31/04, an increase of 25% from the previous year.

OTHER BUSINESS: Trustee Ahrens was excused at 10:25 because a legislative committee requested her testimony.

#### FISCAL:

Administrative and Portfolio Reports: Financial Officer James Monroe said GASB 40 reporting requirements will cause investment policy changes that will be brought to the Board. It requires auditors to report whether our investment policy requires certain risk management reports and conditions. While our individual manager investment agreements have specific parameters, we must have a comprehensive policy which meets the GASB 40 requirements.

He reviewed the administrative budget and portfolio expense reports which had previously been furnished to the Board. All the operating expenses are in the normal ranges.

Financial Statements: Senior Accountant Rhonda Yadon discussed the financial statements she had previously provided to the Trustees. Chairman Olson asked why REITS are listed as securities. Mr. Monroe said that is how they are listed on the Mellon system. Chairman Olson asked that it be listed as real estate in future reports. Trustee Hays asked about administrative expenses for the sick leave fund. Mr. Monroe said those expenses are not listed separate from other administrative fees because if we did not administer the sick leave fund, there would be no changes in expenses – we'd need the same staff and same building.

FUTURE MEETINGS:

Tuesday, March 29, 2005, 8:30 a.m., Boise - PERSI office

**Thursday**, April 21, 2005, 8:30 a.m., Boise - PERSI office

**Thursday**, May 26, 2005, 8:30 a.m., Boise – PERSI office

Tuesday, June 28, 2005, 9:30 a.m., Pocatello, ID (tentative)

**Thursday**, July 21, 2005, 8:30 a.m., Boise - PERSI office

Tuesday, August 23, 2005, 8:30 a.m., Boise - PERSI office

**Friday**, September 23, 2005, 8:30 a.m., Boise - PERSI office

Tuesday, October 25, 2005, 8:30 a.m., Boise - PERSI office

Monday, December 5, 2005, 8:30 a.m. Boise – PERSI office

No meeting is planned for November 2005.

Adjournment: At 10:45. there being no further business to come before the Board, by motion duly made by Trustee Sullivan, seconded by Trustee Johnson and unanimously approved by members present, the meeting was adjourned.

Jody B. Olson  
Chairman

Alan H. Winkle  
Executive Director